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SECRETARY, BOARD OF
OIL, GAS & MINING

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION OF BILL BARRETT
CORPORATION FOR AN ORDER MODIFYING
THE BOARD'S ORDER IN CAUSE NO. 139-84
TO ALLOW A FIFTH WELL (HORIZONTAL)
FOR THE PRODUCTION OF OIL, GAS AND
ASSOCIATED HYDROCARBONS FROM THE
LOWER GREEN RIVER – WASATCH
FORMATION UPON THE DRILLING UNIT
COMPRISED OF SECTION 1, TOWNSHIP 4
SOUTH, RANGE 6 WEST, USM, DUCHESNE
COUNTY, UTAH

REQUEST FOR AGENCY ACTION

Docket No. 2012- 009

Cause No. 139- 88

COMES NOW, Bill Barrett Corporation (“BBC”), acting by and through its attorneys, Beatty & Wozniak, P.C., and pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6 and Utah Admin. Code Rule R649-3-2(10), and hereby respectfully requests the Board of Oil, Gas and Mining (the “Board”) to enter an order modifying its previous Order entered on December 31, 2008 in Cause No. 139-84 (the “139-84 Order”) to allow a fifth well, to be horizontally drilled, upon the existing sectional drilling unit comprised of Section 1 (640.32 acres), Township 4 South, Range 6 West, USM, for the production of oil, gas and associated hydrocarbons from the Lower Green River – Wasatch formations, defined in said Order (by incorporation by reference of the Board’s Order entered on September 20, 1972 in Cause No. 139-8 (the “139-8 Order”)) as follows:

the interval from the top of the Lower Green River formation (TGR₃ marker) to the base of the Green River-Wasatch formations (top of Cretaceous), which base is defined as the stratigraphic equivalent of the Dual Induction Log depths of 16,720 feet in the Shell-Ute 1-18B5 well located in the S½NE¼ of Section 18, Township 2 South, Range 5 West, U.S.M., and 16,970 feet in the Shell-Brotherson 1-11B4 well located in the S½NE¼ of Section 11, Township 2 South, Range 4 West, U.S.M.

(the “Spaced Formations”).

In support of this Request, BBC respectfully states and represents:

1. BBC is a Delaware corporation with its principal place of business in Denver, Colorado. BBC is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant, Federal, Indian and State of Utah agencies.

2. The oil, gas and associated hydrocarbons underlying Lots 3 and 4 [N½NW¼], SE¼NE¼ and S½ of captioned Section 1 are Tribally owned and subject to an Exploration and Development Agreement between the Ute Indian Tribe, Ute Distribution Corporation and BBC, and approved by the United States Bureau of Indian Affairs (the “E&D Agreement”). The oil, gas and associated hydrocarbons underlying Lots 1 and 2 [N½NE¼], SW¼NE¼ and S½NW¼ of captioned Section 1 are owned in fee, with the majority of interests under lease to BBC or to El Paso E&P Company LP. The remaining interests in said lands are unleased, but several of the unleased owners have executed a joint operating agreement naming BBC as operator of the Section 1 drilling unit. BBC

continues its efforts to either lease or solicit the participation of the remaining unleased owners.

3. By virtue of the 139-8 Order, the Board established all of captioned Section 1 as a drilling unit for the production of oil, gas and associated hydrocarbons from the Spaced Formations. By doing so, the Board made the legal determination and declared the Spaced Formations to constitute one “pool” or “common source of supply” of oil, gas and associated hydrocarbons.

4. By virtue of the 139-84 Order, the Board modified the 139-8 Order, among other orders, to allow up to four (4) producing wells upon the drilling unit comprised of captioned Section 1 to be drilled at the option of the operator and with the operator’s full discretion as to the development of the hydrocarbon resources; provided, that each additional well shall be no closer than 1,320 feet from an existing unit well completed in and producing from the formations and no closer than 660 feet from the drilling unit boundary. The 139-84 Order does not specify whether the authorized wells may be all vertical, all horizontal or a combination of both.

5. Utah Admin. Code Rules R649-3-2(3) through 7 govern the drilling of horizontal wells in the absence of special orders of the Board. Under these rules:

- No productive interval of the horizontal well may be closer than 660 feet to a drilling unit boundary or boundary of a lease not committed to the drilling of such a horizontal well;
- the surface location of the horizontal well may be located anywhere on the lease;

- the horizontal interval may not be closer than 1,320 feet to any vertical well completed in the same formation. However, vertical wells drilled to and completed in the same formation as in a horizontal well are subject to applicable drilling unit orders of the Board or the other conditions of this rule that do not specifically pertain to horizontal wells and may be drilled and produced as provided therein;
- a temporary 640-acre drilling unit, comprised of the section in which the horizontal well is located, is established. Under Utah Admin. Code Rule R649-1-1, a “temporary drilling unit” is defined as a specified area of land designated by the Board for purposes of determining well location and density. It is not a “drilling unit” as provided for in Utah Code Ann. §40-6-6, and does not provide a basis for pooling as does a “drilling unit” established under said statute; and
- notice of the filing of the application for permit to drill the horizontal well must be provided by certified mail to all “owners” [as that term is defined in Utah Admin. Code Rule R649-1-1] within the boundaries of the designated temporary spacing unit.

Utah Admin. Code Rule R649-3-2(9) provides exceptions to any of the foregoing may be administratively granted by the Utah Division of Oil, Gas and Mining (“DOGM”) upon proper application made pursuant to Utah Admin. Code Rule R649-3-3. Finally, Utah Admin. Code Rule R649-3-2(10) provides that additional horizontal wells may be approved by order of the Board upon filing of a request for agency action and hearing thereupon.

6. There currently are no producing wells upon captioned Section 1. BBC has filed for and received the approval of the following applications for permit to drill (“APD’s”) for wells to be vertically and/or directionally drilled upon captioned Section 1 and targeting production for the Spaced Formations:

<u>Well</u>	<u>Location</u>	<u>DOGM Approval Date</u>
14-1-46 BTR	SE $\frac{1}{4}$ SW $\frac{1}{4}$ (1015' FSL/2080' FWL)	10/15/08; extended through 10/15/12
16-1D-46 BTR	SHL - SE $\frac{1}{4}$ SE $\frac{1}{4}$ (472' FSL/1305' FEL) BHL - SE $\frac{1}{4}$ SE $\frac{1}{4}$ (660' FSL/660' FEL)	4/18/11
3-1-46 BTR	Lot 3 [NE $\frac{1}{4}$ NW $\frac{1}{4}$] 759' FNL/1779' FWL	11/21/11

These three wells are all authorized under the 139-84 Order, as evidenced by approval of the APD's.

7. However, BBC also desires to concurrently drill two horizontal wells upon captioned Section 1, both targeting production from the Spaced Formations, but each targeting a different member thereof, as follows:

<u>Well</u>	<u>SHL</u>	<u>CSL</u>	<u>Terminus</u>	<u>Targeted Members</u>
5H-1-46 BTR UB	T4S, R5W, USM Sec. 6: SW $\frac{1}{4}$ NW $\frac{1}{4}$ (2650' FNL/254' FWL)	SE $\frac{1}{4}$ NE $\frac{1}{4}$ (2422' FNL/714' FEL)	SW $\frac{1}{4}$ NW $\frac{1}{4}$ (1980' FNL/700' FWL)	Uteland Butte member of Lower Green River formation
5H-1-46 BTR TW	T4S, R5W, USM Sec. 6: SW $\frac{1}{4}$ NW $\frac{1}{4}$ (2666' FNL/286' FWL)	SE $\frac{1}{4}$ NE $\frac{1}{4}$ (1964' FNL/721' FEL)	SW $\frac{1}{2}$ NW $\frac{1}{4}$ (1980' FNL/700' FWL)	Wasatch

The relative thickness and continuity of the targeted portions of the Uteland Butte member and of the Wasatch formation across captioned Section 1 make them attractive for horizontal exploration and exploitation. BBC has negotiated and is in the process of finalizing the requisite surface and subsurface easements for the specified surface hole

locations. However, whether the 139-84 Order is deemed applicable to horizontal wells or instead Utah Admin. Code Rule R649-3-2(3) through (7), (9) and (10) apply, Board approval to drill the two horizontal wells is required.

8. The Uteland Butte member of the Lower Green River formation and the Wasatch formation are isolated by several laterally continuous lower permeable shales. In essence, the two proposed horizontal wells should be viewed as “one well” for purposes of the 139-84 Order because they will produce from isolated members of the same pool without communication. The Board has previously adopted such an approach in its Order entered on March 22, 1990 in Cause No. 131-86; albeit, the wells involved in that Cause were both vertically drilled. If BBC had instead proposed one additional vertical well, with perforations in both the Wasatch and Uteland Butte member of the Lower Green River formation, the well would unquestionably be authorized under the 139-84 Order without need for further Board approval.

9. BBC represents to the Board that it will not plug back the 5H-1-46 BTR TW Well to produce for the Uteland Butte member of the Lower Green River unless the 5H-1-46 BTR UB Well no longer produces therefrom or without seeking further approval from the Board.

10. BBC requests that, in light of the potential conflict between the 139-84 Order and Utah Admin. Code Rule R649-3-2(6), the Board establish captioned Section 1 as a permanent drilling unit for purposes of the two horizontal wells so as to unequivocally

allow communitization of the Tribal lease to be earned under the E&D Agreement with the fee leases and unleased interests as required under Federal regulation.

11. BBC believes and therefore alleges that granting its Request will be in furtherance of the public policies of this State to promote greater recovery of oil, gas and associated hydrocarbons from the Subject Formations without waste and with protection of the correlative rights of all affected owners, constitutes orderly development of Section 1, and is just and reasonable.

12. BBC will, in accordance with Board rules, timely submit exhibits and present testimony in support of these allegations.

13. BBC will separately file a certificate of mailing listing all parties known to it, based on a search of the respective Bureau of Indian Affairs and County realty records and DOGM's records, whose "legally protected interests" will be affected by this Request. There are no respondents or adverse parties known at this time to BBC.

WHEREFORE, BBC respectfully requests:

1. That this matter be set for hearing on March 28, 2012 in St. George, Utah;
2. That notice of such hearing be given as provided by law; and
3. That, upon sufficient evidence produced and testimony given at the hearing,

the Board issue an order:

(a) Modifying the 139-84 Order to authorize the concurrent drilling of the two horizontal wells as outlined herein upon approval of conforming APD's by DOGM;


(b) Declaring all of captioned Section 1 as a permanent drilling unit for said horizontal wells pursuant to Utah Code Ann. § 40-6-6 to allow proper communitization of the production interests in all wells producing from the Spaced Formations;

(c) Making such findings and orders in connection with this Request as it deems necessary; and

(d) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 9th day of February, 2012.

BEATTY & WOZNIAK, P.C.

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